



Economic Snapshot for October 2009

Christian E. Weller on the State of the Economy

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Policy interventions have helped to stabilize Wall Street and the economy. But continued help will be necessary to make sure that families can enjoy a strong and sustained labor market recovery, which still seems at least several months off. Strong labor market gains are necessary to boost the economic security of America's middle class and to help those who are economically most vulnerable.

Unemployment has risen to the highest level in almost three decades as the economy continues to shed jobs each month. Family incomes have now reached low levels not seen since 1997, after falling at the steepest rate since 1947 in 2008. Policymakers need to keep their eye on promoting strong, sustainable growth for the foreseeable future. At the same time, though, it is critical to support those families who suffer the most from the Great Recession. Extended unemployment benefits, increased health insurance coverage, and support for state and local government programs that are threatened to be cut should all be considered.

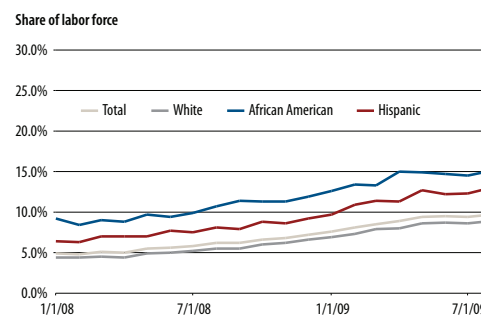
1. **The U.S. economy is still shrinking.** GDP declined at an annual rate of 0.7 % in the second quarter of 2009 after falling by an annual average rate of 2.8% during the first five-quarters of the recession, from December 2007 to March 2009.
2. **Job losses continue.** The U.S. economy shed 263,000 jobs in September 2009. The economy has lost 7.2 million jobs since the recession began in December 2007. Close to two-thirds—or 4.5 million jobs—were lost before the economic stimulus package was enacted at the end of February 2009, and job losses have sharply declined since then.
3. **Unemployment stays high among the most vulnerable.** The unemployment rate was 9.8% in September 2009. The African-American unemployment rate that month stood at 15.4%, the Hispanic unemployment rate at 12.7%, and the unemployment rate for whites at 9.0%. Youth unemployment stood at a towering 25.9%. And the unemployment rate for people without a high school diploma remained high, standing at 15.0%, compared to 10.8% for those with a high school degree and 4.9% for those with a college degree. **SEE FIGURE 1**
4. **The unemployed are out of a job for long periods.** The average length of unemployment in September 2009 was 26.2 weeks, the median length of unemployment was 17.3 weeks, and 35.6 % of the unemployed were out of a job for 27 weeks or more. All of these indicators are at their highest level since 1948.
5. **Employer-provided benefits continue to disappear.** The share of private sector workers with a pension dropped from 50.3% in 2000 to 45.1% in 2007 and to 43.6% in 2008, and the share of people with

employer-provided health insurance dropped from 64.2% in 2000 to 59.3% in 2007 and to 58.5% in 2008.

6. **Family incomes drop sharply in the recession.** Median inflation-adjusted family income fell by \$1,860 to \$50,303 (in 2008 dollars) in 2008 from 2007. This was the lowest family income since 1997. White family income stood at \$55,530, compared to African-American family income, which was \$34,218—or 61.6% of white income. Hispanic family income was \$37,913 in 2008—or 68.2% of white income. **SEE FIGURE 2**
7. **Poverty continues to rise.** The poverty rate stood at 13.2% in 2008—its highest rate since 1997. The African-American poverty rate was 24.6%, the Hispanic rate was 23.2%, and the white rate was 8.6% in 2008. The poverty rate for children under the age of 18 rose to 19.0%—also the highest level since 1997. More than one-third of African-American children, 34.7%, lived in poverty in 2008, compared to 10.6% of white children and 30.6% of Hispanic children.
8. **Family wealth begins to recover.** Total family wealth increased by \$1.8 trillion in 2009 dollars from March 2009 to June 2009, but it remained \$14.5 trillion below the level of June 2007—the last peak of family wealth. The two-year period from June 2007 to June 2009 thus saw a decline in inflation-adjusted personal wealth equal to 21.4%, the second largest drop in wealth after the two-year period from March 2007 to March 2009.
9. **Many houses are empty and home sales are still sluggish.** In the second quarter of 2009, 10.6% of rental properties were vacant—the highest level since the Census collected these data in 1956. The vacancy rate for owner-occupied houses was a relatively high 2.5%; prior to 2006, this rate never exceeded 2.0%. With many homes empty, home sales are struggling. New home sales in August 2009 amounted to an annualized, seasonally adjusted rate of 429,000—3.4% lower than a year earlier—despite an 11.7% year-over-year drop in median new home prices. Existing home sales were 3.4% higher than a year earlier, in part due to a 12.5% drop in the median sales price.
10. **Mortgage troubles mount.** One in eight mortgages is delinquent or in foreclosure. In the second quarter of 2009, the share of mortgages that were delinquent was 9.2%, and the share of mortgages that were in foreclosure was 4.3%. **SEE FIGURE 3**
11. **Families feel the pressure.** Credit card defaults rose to 9.6% of all credit card debt by the second quarter of 2009—an increase of 126.6% from the fourth quarter of 2007. The number of bankruptcy filings rose by 64.6% to 12.4 per 1,000 households during the same period.

Unemployment rates during the recession, by demographics

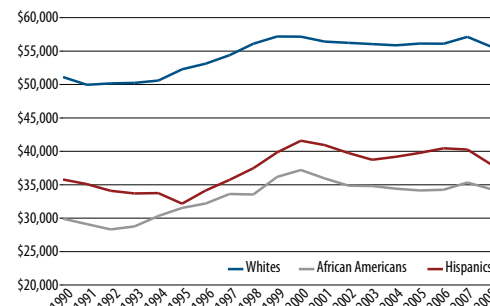
FIGURE 1



Source: Calculations based on U.S. Department of Labor, Bureau of Labor Statistics, "Current Population Survey" (Washington, 2009).

Median family income, 1990–2008

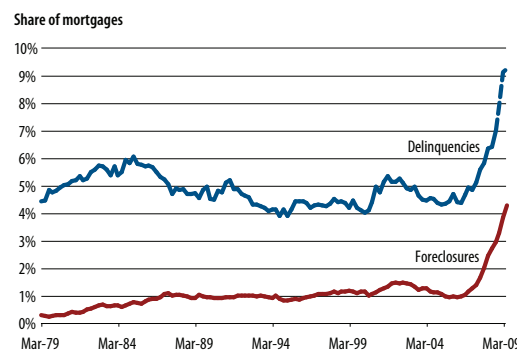
FIGURE 2



Source: Calculations based on Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, "Poverty, Income, and Health Insurance Coverage in the United States: 2008" (Washington: U.S. Bureau of the Census, 2009).

Share of mortgages that are delinquent or in foreclosure

FIGURE 3



Source: Mortgage Bankers Association, 2009, "National Delinquency Survey," Washington.